

NAMI NORTH CAROLINA, INC.

Financial Statements

Years Ended June 30, 2018 and 2017



Rives & Associates, LLP
Certified Public Accountants and Consultants

NAMI NORTH CAROLINA, INC.
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Independent Auditors' Report

To the Board of Directors
NAMI North Carolina, Inc.
Raleigh, North Carolina

We have audited the accompanying financial statements of NAMI North Carolina, Inc., a nonprofit organization (the Organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NAMI North Carolina, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rives & Associates LLP

Raleigh, North Carolina
October 21, 2018

NAMI NORTH CAROLINA, INC.
Statements of Financial Position
June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
		<i>(as restated)</i>
Current assets:		
Cash and cash equivalents	\$ 224,148	\$ 128,283
Investments	8,078	144,225
Accounts receivable	113,690	149,408
Due from Unrestricted	51,000	51,000
Prepaid expenses	14,004	32,817
	<u>410,920</u>	<u>505,733</u>
Property and equipment, net	<u>103,333</u>	<u>123,100</u>
Other assets:		
Security deposits	-	9,285
Investments	159,978	146,542
	<u>159,978</u>	<u>155,827</u>
Total assets	<u>\$ 674,231</u>	<u>\$ 784,660</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 96,531	\$ 181,895
Due to Silber Endowment	51,000	51,000
Accrued payroll and benefits	186	2,936
Accrued vacation and sick leave	6,695	61,380
	<u>154,412</u>	<u>297,211</u>
Net assets:		
Unrestricted:		
Undesignated	274,166	251,796
Board designated	40,242	40,242
	<u>314,408</u>	<u>292,038</u>
Temporarily restricted	165,411	155,411
Permanently restricted	40,000	40,000
	<u>519,819</u>	<u>487,449</u>
Total net assets	<u>\$ 674,231</u>	<u>\$ 784,660</u>

The accompanying notes are an integral part of these financial statements.

NAMI NORTH CAROLINA, INC.
Statement of Activities
Year Ended June 30, 2018
(With Comparative Totals for 2017)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2017 Total <i>(as restated)</i>
PUBLIC SUPPORT					
Contributions	\$ 52,197	\$ -	\$ -	\$ 52,197	\$ 102,005
Membership dues, net	14,591	-	-	14,591	15,097
DMHDDSAS contracts	425,038	-	-	425,038	439,868
LME contracts	137,625	-	-	137,625	302,761
Nongovernment grants	100	10,000	-	10,100	12,450
Special events	145,118	-	-	145,118	139,222
Total public support	774,669	10,000	-	784,669	1,011,403
OTHER REVENUE					
Conference fees	32,890	-	-	32,890	76,473
Investment income	3,677	-	-	3,677	7,443
Net realized and unrealized gain on investments	16,296	-	-	16,296	30,738
Other income	22,868	-	-	22,868	8,480
	<u>75,731</u>	<u>-</u>	<u>-</u>	<u>75,731</u>	<u>123,134</u>
Total public support and other revenues	850,400	10,000	-	860,400	1,134,537
Net assets released from restrictions: Satisfaction of program restrictions	-	-	-	-	-
Total revenues, gains, and other support	850,400	10,000	-	860,400	1,134,537
EXPENSES:					
Program	594,424	-	-	594,424	871,465
Unallocated payments to affiliates	(24,300)	-	-	(24,300)	45,300
General and administrative	92,576	-	-	92,576	338,189
Fundraising	165,330	-	-	165,330	176,073
Total expenses	828,030	-	-	828,030	1,431,027
Change in net assets	22,370	10,000	-	32,370	(296,490)
Net assets at beginning of year	292,038	155,411	40,000	487,449	783,939
Net assets at end of year	\$ 314,408	\$ 165,411	\$ 40,000	\$ 519,819	\$ 487,449

The accompanying notes are an integral part of these financial statements

NAMI NORTH CAROLINA, INC.
Statement of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
		<i>(as restated)</i>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 32,370	\$ (296,490)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Depreciation	14,086	21,086
Realized and unrealized gains on investments	(16,296)	(30,738)
Loss on sale of property and equipment	5,681	-
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	35,718	9,453
Contributions receivable, charitable lead trust	-	14,996
Prepaid expenses	18,813	(8,852)
Security deposit	9,285	(6,250)
Accounts payable	(85,364)	66,344
Accrued payroll and benefits	(2,750)	1,089
Accrued vacation and sick leave	(54,685)	30,802
	<u>(43,142)</u>	<u>(198,560)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(2,253)
Proceeds from sale of investments, net of purchases	139,007	157,582
	<u>139,007</u>	<u>155,329</u>
Net cash provided by investing activities	<u>139,007</u>	<u>155,329</u>
Net increase (decrease) in cash and cash equivalents	95,865	(43,231)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>128,283</u>	<u>171,514</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 224,148</u>	<u>\$ 128,283</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ 796</u>

The accompanying notes are an integral part of these financial statements

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

NAMI North Carolina, Inc. (the Organization) was organized in North Carolina on August 20, 1984 as a nonprofit corporation. The Organization was established for the purpose of advocacy, support and education for people affected by mental illness. In addition, NAMI manages the delivery of counseling services for adults and children with mental illness.

Basis of Presentation

The Organization has adopted FASB Accounting Standards Codification (ASC) 958-205 and subsections *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Net assets are defined as follows:

Unrestricted – unrestricted net assets include resources, which are available for the support of the Organization’s operating activities.

Temporarily Restricted - Temporarily restricted net assets include resources that have been donated to the Organization subject to restrictions as defined by the donor. These restrictions are met either by the actions of the Organization and/or the passage of time. When the restriction expires as a result of the lapse of time requirement or achievement of the specified purpose stipulated, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets releases from restrictions.

Permanently Restricted - Permanently restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purposes of producing present and future income, which may be expended. Investment earnings on endowments are available for the Organization’s general use.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recognized when incurred. This basis of accounting conforms to accounting principles generally accepted in the United States of America.

Grants and Contributions

The Organization records contributions received as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

Investments are exposed to various risk such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investment income on the statement of activities includes interest, dividends and capital gains distributions earned by the investments during the year.

Fair Value Measurement

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted process in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1- Quoted prices in active markets for identical assets or liabilities at the measurement dates;
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 – Unobservable inputs that are supported by little or no market activity and that reflect the Organization’s own assumptions about market prices.

2. CONCENTRATION OF CREDIT RISK

The Organization occasionally maintains deposits in excess of federally insured limits. The Organization maintains its cash balances in reputable financial institutions in the United States of American and accounts at each institution are insured by the Federal Deposit Insurance Corporations up to \$250,000 at each financial institution. FASB ASC 825, *Financial Instruments*, identifies these items as a concentration of credit risk requiring disclosure, regardless of risk. At June 30, 2018 and 2017, the Organization’s uninsured cash balances were \$17,577 and \$0, respectively.

In addition, the Organization has contracts with two government agencies that comprise 54% and 54% of total support and revenue for the years ended June 30, 2018 and 2017.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

At June 30, 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Advertising Expense

The Organization expenses the costs of advertising as incurred. For the years ended June 30, 2018 and 2017, advertising expense was \$17,183 and \$1,536, respectively.

Recognition of Grant Support and Contracts

The Organization recognizes grant support and contracts to the extent that eligible grant and contract costs are incurred. Receivables are recognized to the extent that costs have been incurred, but not reimbursed. An allowance for doubtful accounts is based on an analysis of expected collected rates determined from past history. No allowance for doubtful accounts was considered necessary at June 30, 2018 and 2017. Deferred revenues are recognized to the extent that advances of funds have been made which exceed eligible costs incurred.

Accrued Vacation and Sick Leave

Full time employees of the Organization accrue vacation and sick monthly at various rates depending on the number of years of service. Employees can carry over up to 225 days of unused vacation at year-end to the next fiscal year. Employees can accrue up to 180 of unused sick time at year-end, however they are not paid out for unused time at time of separation of employment from the Organization.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. Costs that are not directly associated with providing specific services have been allocated based upon the relative time spent by employees of the Organization providing those services.

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

The Organization reports investments in marketable securities with readily determinable fair values, and all investments in debt securities at their fair value in the statement of financial position. Unrealized gains and losses are included in the increase (decrease) in net assets in the accompanying statements of activities and changes in net assets.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership revenue

Revenue from memberships are recorded when received. Collection of membership receipts include amounts received on behalf of both national and local NAMI entities. Membership revenue is reported net of amounts due to national and local NAMI entities.

In-kind Contributions

Contributed services and property are recorded at their estimated fair value at the date of donation. The Organization reports in-kind contributions as unrestricted revenue. Donated services of nonprofessional volunteers are not recorded as revenue and expense since there is no objective basis available to measure the value of such services.

Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents includes balances on deposit in financial institutions, cash on hand and other highly liquid resources, such as interest bearing money market accounts, with an original maturity date of three months or less.

Property and Equipment

The Organization capitalizes acquisitions of property and equipment at cost. The cost of maintenance and repairs is expensed as incurred. Expenditures which materially increase the property lives of the assets are capitalized. Donated property and equipment are recorded as contributions at their estimated fair value on the date of donation. Donations with explicit restrictions regarding their use are reported as restricted contributions.

Depreciation is computed using the straight-line method over a useful life of 3 - 30 years. Upon disposition of property and equipment, the related asset and accumulated depreciation amounts are removed and any gain or loss is reflected in the statement of activities for the period.

Income Taxes

The Organization is exempt from income taxes as a not-for-profit organization under Internal Revenue Service ("IRS") code section 501(c)(3) and from state income taxes under similar provisions of North Carolina tax laws. During the years ended June 30, 2018 and 2017, the Organization reported no unrelated business taxable income which is defined by the IRS as gross income derived from any unrelated trade or business that is not substantially related to the Organization's tax-exempt purpose. Accordingly, no provision for income taxes has been recorded.

The Organization adopted the provisions of FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. Under this provision, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. The Organization is subject to routine audits by taxing jurisdictions; however there are currently no audits for any tax years in progress. The Organization believes it is no longer subject to income tax examinations for the years prior to 2015.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following as of June 30:

	2018	2017
North Carolina Department of Health and Human Services Contracts	\$ 69,168	\$ 56,433
Local Management Entities	39,450	45,602
Other contracts	1,263	43,600
Sales tax	3,809	3,773
Total	\$ 113,690	\$149,408

4. INVESTMENTS

Investments at June 30, 2018 consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 117,123	\$ 168,056	\$ 50,933
	\$ 117,123	\$ 168,056	\$ 50,933

Investments at June 30, 2017 consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual funds	\$ 234,386	\$ 290,767	\$ 56,381
	\$ 234,386	\$ 290,767	\$ 56,381

A portion of the investments described above are endowment assets and the gift corpus of such investments is permanently restricted. Another portion of the investments described above are temporarily restricted investments for the use of certain program expenses. These assets are measured at fair value on a recurring basis using quoted prices in active markets (Level 1).

Investment revenues are reported net of related investment fees in the statement of activities. The following schedule summarized investment return for the year ended June 30:

	2018	2017
Dividend income	\$ 3,488	\$ 7,243
Interest income	189	200
Realized gains (losses), net	21,744	-
Unrealized gain (losses), net	(5,448)	30,738
Total	\$ 19,973	\$ 38,181

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

4. INVESTMENTS (Continued)

The Security Investor Protection Company (SIPC) protects investments held by the broker up to \$500,000. The broker also offers additional coverage beyond the SIPC limits through London Underwriters and other insurance companies if the broker is liquidated or declared insolvent.

5. RESTRICTIONS ON ASSETS

Temporarily restricted net assets

Temporarily restricted net assets are those stipulated by donors for specific operating purposes or those not currently available for use until commitments regarding their use have been fulfilled.

Temporarily restricted net assets are composed of the following as of June 30:

	2018	2017
Beneficial interest in perpetual trust	\$ 9,882	\$ 9,882
SR AHEC	20,000	10,000
Advocacy	40,708	40,708
Affiliate Development	94,821	94,821
Total	\$ 165,411	\$ 155,411

Designated net assets

As of June 30, 2018 and 2017, the Board of Directors designated \$40,242 of unrestricted net assets pursuant to a donation received from the estate of J. Bryant Kirkland. The family of the donor asked that only income from the contributions be used and not any of the principal. The Board of Directors passed a resolution that the income generated from the bequest may be used to cover general expense of the Organization, but the principal should remain intact if possible.

6. ENDOWMENT OF NET ASSETS

Temporarily restricted net assets include funds held in trust by The North Carolina Community Foundation (the Foundation), as fiscal agent. The funds are neither in possession nor under the control of the Organization, but are held and administered by the Foundation. The Foundation, at the discretion of its board of directors, has the authority to invest the funds without restrictions. The Board of Directors of the Organization and the Foundation must approve any distributions. The income derived from these funds may be used for general operating purposes.

The Organization's temporarily and permanently restricted net assets consists of endowment funds established primarily to support the Organization's mission and operations. The Organization maintains two endowment funds: Silber Endowment Fund and Advocacy Endowment Fund. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

6. ENDOWMENT OF NET ASSETS (Continued)

The Board has interpreted the State of North Carolina's version of *The Uniform Prudent Management Institutional Funds act* (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulation to the permanent endowment made in accordance with the director of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Accordingly, the investment policy of the Organization is to invest in a well-diversified asset mix, which includes equity and debt securities that is intended to result in a consistent inflation-protected rate of return while increasing the value of donors' gifts and provide a stable funding source of ensuring the future viability of the Organization. A target allocation determined by the Board of Directors is 75% stocks, 20% bonds, and 5% money market. Stock investments are intended to include mostly "large cap" stocks with about 25% invested in smaller companies and international stocks.

The Silber Endowment Fund is restricted in accordance with donor stipulations to support affiliate development work. Further, spending is limited to interest and dividends earned and no spending is allowed in years of market losses. A committee of the Organization's Board of Directors is tasked with recommending a semi-annual payout rate to the Board as part of the budget development process. The Board of Directors has the authority to modify the rate by a majority vote. The initial funding of the Silber Endowment Fund which remains permanently restricted as of June 30, 2018 and 2017 was \$40,000 and \$40,000, respectively. The remaining balance as of June 30, 2018 and 2017 is temporarily restricted for affiliate development work.

The Advocacy Endowment Fund is restricted in accordance with donor stipulations to support advocacy of mental illness. In accordance with the endowment agreement, all funds contributed are temporarily restricted for specific use. Included in the Advocacy Endowment Fund is \$15,000 that was previously transferred into the Fund from the General Endowment at the direction of the Board of Directors. This balance is available to be transferred back to the General Endowment Fund upon approval of the Board of Directors including any investment earnings on that balance. The Advocacy Endowment Fund's balance as of June 30, 2018 and 2017 was \$40,708 and \$40,708, respectively.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

6. ENDOWMENT OF NET ASSETS (Continued)

Endowment net asset composition by type of fund as of June 30, 2017 was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 115,421	\$ 40,000	\$ 155,421
Investment income, net of fees	1,507	-	1,507
Net appreciation (realized and unrealized)	32,321	-	32,321
Total investment return	33,828	-	33,828
Appropriations of endowment assets for expenditure	(1,590)	-	(52,590)
Endowment net assets, June 30, 2017	<u>\$ 147,659</u>	<u>\$ 40,000</u>	<u>\$ 187,659</u>

Endowment net asset composition by type of fund as of June 30, 2018 was as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2017	\$ 147,659	\$ 40,000	\$ 187,659
Investment income, net of fees	3,488	-	3,488
Net appreciation (realized and unrealized)	9,879	-	9,879
Total investment return	13,367	-	13,367
Appropriations of endowment assets for expenditure	-	-	-
Endowment net assets, June 30, 2017	<u>\$ 161,026</u>	<u>\$ 40,000</u>	<u>\$ 201,026</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2018:

	2018	2017
Building and improvements	\$ 269,971	\$ 269,974
Furniture and equipment	30,898	51,826
Total	300,869	321,800
Less accumulated depreciation	(197,536)	(198,700)
	<u>\$ 103,333</u>	<u>\$ 123,100</u>

Depreciation expense was \$14,086 and 21,086 for the years ended June 30, 2018 and 2017, respectively.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

8. LEASE COMMITMENTS

The Organization has entered into various operating lease agreements for facilities and equipment. These agreements expire at various dates through March 2020, and the minimum rental payments required under these agreements are summarized as follows:

Year Ending	Amount
2019	\$ 12,853
2020	3,311
Total	\$ 16,164

Lease expense was \$40,801 for the year ended June 30, 2018.

9. CONTRIBUTED MATERIALS AND SERVICES

Contributed materials and series recorded in these financial statements consisted of the following:

Merchandise	\$ 19,960
	\$ 19,960

10. CONTINGENCIES

The Organization receives grant funds. Costs related to such funds are subject to final approval by the grantor agencies and deficiencies, if any, are the responsibility of the Organization. Management believes that there are no required refunds and therefore no provision has been made in the accompanying financial statements for the refund of grant monies.

11. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, the Organization contributed \$71,920 and \$80,669 to its affiliates related to annual fundraisers and contract expenses, respectively.

12. RETIREMENT PLAN

The Organization offers a 401(k) Plan to all employees. Participating employees may elect to contribute 1 – 15% of their annual earnings, subject to the tax law ceiling. The Organization make discretionary matches to employee contributions. Employer contributions for the years ended June 30, 2018 and 2017 was \$5,720 and \$9,120, respectively.

NAMI NORTH CAROLINA, INC.
Notes to Financial Statements
June 30, 2018 and 2017

13. PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2018, management identified \$51,000 that was incorrectly shown as releases from temporary restricted net assets as it relates to advocacy and the Silber Endowment. The Organization corrected beginning net asset balances by reducing unrestricted net assets by \$51,000 and increasing temporarily restricted net assets by \$51,000. There was no change to previously reported changes in net assets. The Organization also set up due to / due from accounts to account for the \$51,000 due to the Silber Endowment from unrestricted net assets.

14. UPCOMING CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

For the fiscal year ended June 30, 2019, the Organization will be required to implement the following pronouncement issued by the Financial Accounting Standards Board (FASB):

Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*

ASU 2016-14 address five key areas of reporting by Not-for-Profit Entities including the following:

- Net asset classes
- Investment return
- Expense reporting
- Statement of cash flows
- Liquidity and availability

This standard has no effect on the financial statements for the year ended June 30, 2018.

15. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 21, 2018, which is the date the financial statements were available to be issued.

